

GRISWOLD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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Griswold Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Mary Perdue	President	2011
Angie Amos	Vice President	2011
Steve Baier	Board Member	2013
Clarion Campbell	Board Member	2011
Tom Moore	Board Member	2013
Jim Parker	Board Member	2013
Scott Hansen	Board Member	2011

**Board of Education
(After September 2011 Election)**

Steve Baier	President	2013
Tom Moore	Vice President	2013
Scott Peterson	Board Member	2015
Clarion Campbell	Board Member	2015
Douglas Lembke	Board Member	2015
Jim Parker	Board Member	2013
Scott Hansen	Board Member	2015

School Officials

Dana Kunze	Superintendent	2012
Tim Blum	Business Manager	2012
Nancy Taylor	Board Secretary	2012
Rick Franck	Attorney	2012

GRISWOLD COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of
Griswold Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Griswold Community School District, Griswold Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Griswold Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2013 on our consideration of Griswold Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute & Iowa Society of Certified Public Accountants

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Griswold Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Griswold Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,510,189 in fiscal 2011 to \$6,314,565 in fiscal 2012 and General Fund expenditures increased from \$5,692,676 in fiscal 2011 to \$5,875,982 in fiscal 2012. Revenues still outpaced expenditures resulting in an increase in the District's General Fund balance from \$2,200,659 at June 30, 2011 to a balance of \$2,639,242 at June 30, 2012, a 19.93% increase from the prior year.
- The District's solvency ratio (unassigned fund balance/general fund revenues less AEA flowthrough) increased from 31.24% at June 30, 2011 to 40.70% at June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Griswold Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Griswold Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Griswold Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Griswold Community School District Annual Financial Report

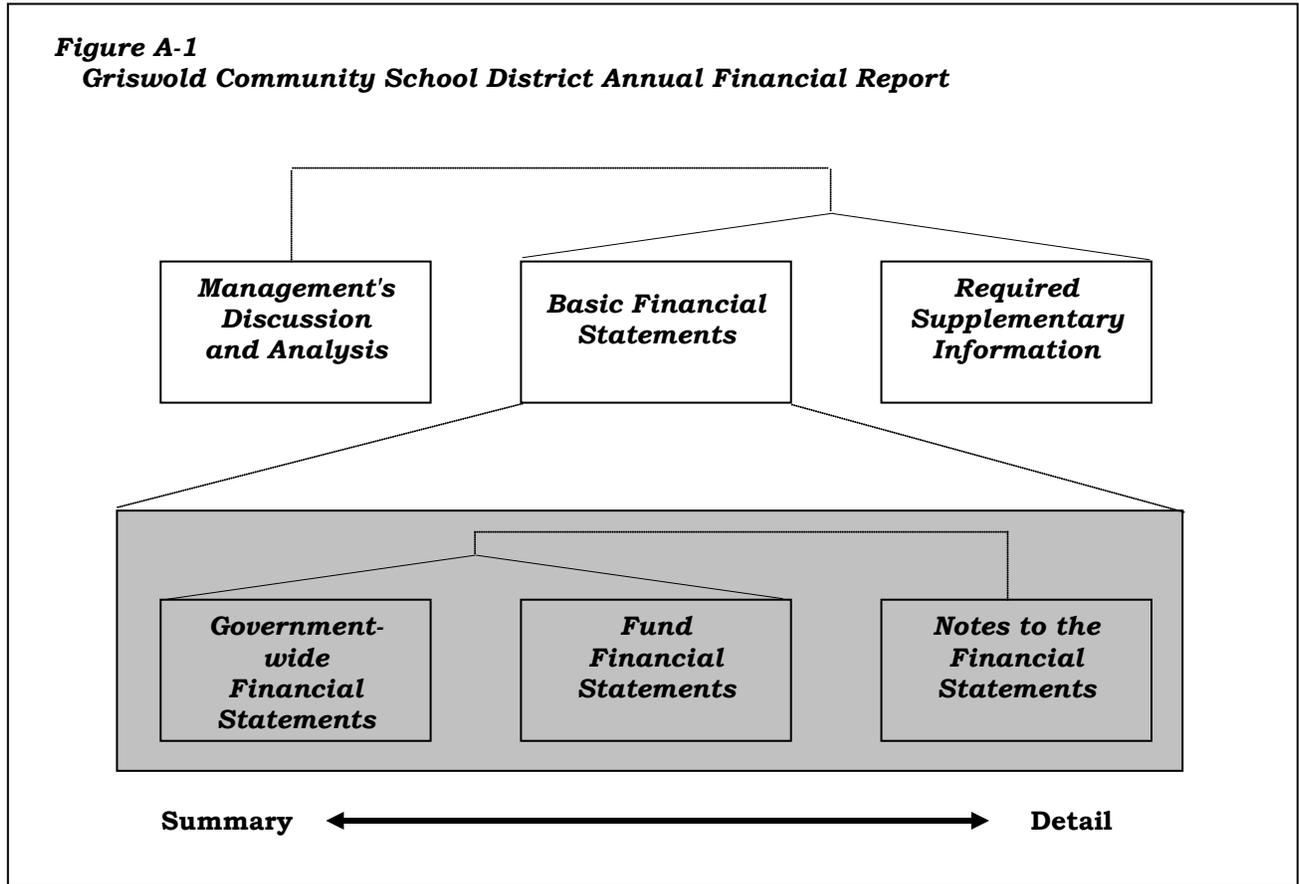


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2012 compared to June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 10,381,608	7,480,309	63,677	61,255	10,445,285	7,541,564	38.50%
Capital assets	3,730,985	3,074,627	16,385	16,598	3,747,370	3,091,225	21.23%
Total assets	14,112,593	10,554,936	80,062	77,853	14,192,655	10,632,789	33.48%
Long-term obligations	3,317,398	81,502	-	-	3,317,398	81,502	3970.33%
Other liabilities	3,901,561	3,713,663	23,044	26,697	3,924,605	3,740,360	4.93%
Total liabilities	7,218,959	3,795,165	23,044	26,697	7,242,003	3,821,862	89.49%
Net assets:							
Invested in capital assets	2,819,385	3,074,627	16,385	16,598	2,835,770	3,091,225	-8.26%
Restricted	1,576,786	1,499,418	-	-	1,576,786	1,499,418	5.16%
Unrestricted	2,497,463	2,185,726	40,633	34,558	2,538,096	2,220,284	14.31%
Total net assets	\$ 6,893,634	6,759,771	57,018	51,156	6,950,652	6,810,927	2.05%

The District’s combined net assets increased by 2.05%, or \$139,725, over the prior year. A large portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$77,368 or 5.16% over the prior year.

Unrestricted net assets– the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$317,812 or 14.31%. This increase was primarily the result of the increase in the General Fund unassigned balance when compared to the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 372,037	354,198	171,587	168,222	543,624	522,420	4.06%
Operating grants, contributions and restricted interest	496,645	462,196	169,720	161,169	666,365	623,365	6.90%
General revenues:							
Property tax	2,396,847	2,822,981	-	-	2,396,847	2,822,981	-15.10%
Income surtax	290,905	243,560	-	-	290,905	243,560	19.44%
Statewide sales, services and use tax	489,308	448,870	-	-	489,308	448,870	9.01%
Unrestricted state grants	2,930,649	2,745,010	-	-	2,930,649	2,745,010	6.76%
Nonspecific program federal grants	90,569	100,928	-	-	90,569	100,928	-10.26%
Unrestricted investment earnings	10,418	12,590	49	109	10,467	12,699	-17.58%
Other	84,550	159,868	-	824	84,550	160,692	-47.38%
Total revenues	<u>7,161,928</u>	<u>7,350,201</u>	<u>341,356</u>	<u>330,324</u>	<u>7,503,284</u>	<u>7,680,525</u>	<u>-2.31%</u>
Program expenses:							
Governmental activities:							
Instructional	4,491,952	4,036,583	-	-	4,491,952	4,036,583	11.28%
Support services	2,180,869	2,060,561	-	-	2,180,869	2,060,561	5.84%
Non-instructional programs	775	878	335,494	335,825	336,269	336,703	-0.13%
Other expenses	354,469	372,043	-	-	354,469	372,043	-4.72%
Total expenses	<u>7,028,065</u>	<u>6,470,065</u>	<u>335,494</u>	<u>335,825</u>	<u>7,363,559</u>	<u>6,805,890</u>	<u>8.19%</u>
Change in net assets	133,863	880,136	5,862	(5,501)	139,725	874,635	-84.02%
Beginning net assets	<u>6,759,771</u>	<u>5,879,635</u>	<u>51,156</u>	<u>56,657</u>	<u>6,810,927</u>	<u>5,936,292</u>	<u>14.73%</u>
Ending net assets	<u>\$ 6,893,634</u>	<u>6,759,771</u>	<u>57,018</u>	<u>51,156</u>	<u>6,950,652</u>	<u>6,810,927</u>	<u>2.05%</u>

In fiscal 2012, local tax and unrestricted state grants account for 74.39% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$7.50 million, of which approximately \$7.16 million was for governmental activities and approximately \$.34 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 2.31% decrease in revenues and an 8.19% increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$7,161,928 and expenses were \$7,028,065. In a difficult budget year, the District was able to limit the increase in expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,491,952	4,036,583	11.28%	3,848,209	3,474,397	10.76%
Support services	2,180,869	2,060,561	5.84%	2,180,869	2,060,561	5.84%
Non-instructional	775	878	-11.73%	775	878	-11.73%
Other expenses	354,469	372,043	-4.72%	129,530	117,835	9.92%
Totals	<u>\$ 7,028,065</u>	<u>6,470,065</u>	<u>8.62%</u>	<u>6,159,383</u>	<u>5,653,671</u>	<u>8.94%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$372,037.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$496,645.
- The net cost of governmental activities was financed with \$2,687,752 in local tax, \$489,308 in statewide sales, services and use tax, \$2,930,649 in unrestricted state grants, \$90,569 in nonspecific program federal grants, \$10,418 in unrestricted investment earnings and \$84,550 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2012 were \$341,356 and expenses were \$335,494. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Griswold Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,220,414, ahead of last year's ending fund balances of \$3,500,177.

Governmental Fund Highlights

- The General Fund balance increased from \$2,200,659 to \$2,639,242. This increase was due in part to increased revenues from state sources during the year.
- The Capital Projects Fund improved from \$1,179,151 at June 30, 2011 to \$3,238,426 at June 30, 2012. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$1,100,454 to \$1,029,302 during the year. The Capital Projects: Physical Plant and Equipment Levy Fund increased from \$78,697 to \$120,724 during the year. The Capital Projects: Construction Fund balance increased from \$0 to \$2,088,400 during the year, representing the unspent portion of the \$3,000,000 of revenue bonds issued to finance various construction projects of the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$51,156 at June 30, 2011 to \$57,018 at June 30, 2012, representing an increase of 11.46%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$159,503 less than budgeted amounts, a variance of 2.08%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3,747,370, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 21.23% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$234,495.

The original cost of the District's capital assets was \$7,803,576. Governmental funds account for \$7,701,610 with the remainder of \$101,966 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$54,713 at June 30, 2011, compared to \$177,391 reported at June 30, 2012. The change was due to the football and softball field lighting projects completed during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	2011-12
Land	\$ 80,747	80,747	-	-	80,747	80,747	0.00%
Construction in progress	584,204	-	-	-	584,204	-	100.00%
Buildings	2,607,874	2,644,212	-	-	2,607,874	2,644,212	-1.37%
Land improvements	177,391	54,713	-	-	177,391	54,713	224.22%
Machinery and equipment	280,769	294,955	16,385	16,598	297,154	311,553	-4.62%
Total	<u>\$ 3,730,985</u>	<u>3,074,627</u>	<u>16,385</u>	<u>16,598</u>	<u>3,747,370</u>	<u>3,091,225</u>	<u>21.23%</u>

Long-Term Debt

At June 30, 2012, the District had \$3,317,537 in long-term debt outstanding. This represents an increase of 3,970.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding revenue bonds of \$3,000,000 at June 30, 2012.

The District had an outstanding loan with a local bank of \$255,352 at June 30, 2012.

The District had outstanding early retirement payable of \$12,918 from the Special Revenue, Management Levy Fund at June 30, 2012.

The District had net OPEB liability of \$49,128 at June 30, 2012.

Figure A-7			
Outstanding Long-Term Obligations			
	Total	Total	Total
	District	Change	
	June 30,	June 30,	
	2012	2011	2011-12
Revenue bonds	\$ 3,000,000	-	100.0%
Loans	255,352	-	100.0%
Early retirement	12,918	51,672	-75.0%
Net OPEB liability	49,128	29,830	64.7%
Total	<u>\$ 3,317,398</u>	<u>81,502</u>	<u>3970.3%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Griswold Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.
- The District has faced declining enrollment since FY 2002.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tim Blum, Business Manager, Griswold Community School District, 20 Madison Street, P.O. Box 280, Griswold, Iowa, 51535.

GRISWOLD COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 7,234,913	51,521	7,286,434
Receivables:			
Property tax:			
Delinquent	49,390	-	49,390
Succeeding year	2,496,927	-	2,496,927
Income surtax	265,442	-	265,442
Due from other governments	257,701	-	257,701
Prepaid expenses	77,235	-	77,235
Inventories	-	12,156	12,156
Capital assets, net of accumulated depreciation	3,730,985	16,385	3,747,370
Total assets	14,112,593	80,062	14,192,655
Liabilities			
Accounts payable	783,476	135	783,611
Salaries and benefits payable	615,349	19,344	634,693
Accrued interest payable	5,809	-	5,809
Deferred revenue:			
Succeeding year property tax	2,496,927	-	2,496,927
Unearned revenue	-	3,565	3,565
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	150,000	-	150,000
Computer loan payable	79,012	-	79,012
Early retirement payable	12,918	-	12,918
Portion due after one year:			
Revenue bonds payable	2,850,000	-	2,850,000
Computer loan payable	176,340	-	176,340
Net OPEB liability	49,128	-	49,128
Total liabilities	7,218,959	23,044	7,242,003
Net Assets			
Invested in capital assets	2,819,385	16,385	2,835,770
Restricted for:			
Categorical funding	160,952	-	160,952
Debt service	226,490	-	226,490
Student activities	39,318	-	39,318
School infrastructure	1,029,302	-	1,029,302
Physical plant and equipment	120,724	-	120,724
Unrestricted	2,497,463	40,633	2,538,096
Total net assets	\$ 6,893,634	57,018	6,950,652

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Operating Grants, Contributions		Governmental Activities	Business Type Activities	
		Charges for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,904,306	141,951	36,020	(2,726,335)	-	(2,726,335)
Special	785,033	64,109	30,313	(690,611)	-	(690,611)
Other	802,613	165,977	205,373	(431,263)	-	(431,263)
	<u>4,491,952</u>	<u>372,037</u>	<u>271,706</u>	<u>(3,848,209)</u>	<u>-</u>	<u>(3,848,209)</u>
Support services:						
Student	167,799	-	-	(167,799)	-	(167,799)
Instructional staff	185,888	-	-	(185,888)	-	(185,888)
Administration	644,783	-	-	(644,783)	-	(644,783)
Operation and maintenance of plant	690,101	-	-	(690,101)	-	(690,101)
Transportation	492,298	-	-	(492,298)	-	(492,298)
	<u>2,180,869</u>	<u>-</u>	<u>-</u>	<u>(2,180,869)</u>	<u>-</u>	<u>(2,180,869)</u>
Non-instructional programs:						
Food service operations	775	-	-	(775)	-	(775)
	<u>10,659</u>	<u>-</u>	<u>-</u>	<u>(10,659)</u>	<u>-</u>	<u>(10,659)</u>
Other expenses:						
AEA flowthrough	224,939	-	224,939	-	-	-
Depreciation(unallocated)*	118,871	-	-	(118,871)	-	(118,871)
	<u>343,810</u>	<u>-</u>	<u>224,939</u>	<u>(118,871)</u>	<u>-</u>	<u>(118,871)</u>
Total governmental activities	<u>7,028,065</u>	<u>372,037</u>	<u>496,645</u>	<u>(6,159,383)</u>	<u>-</u>	<u>(6,159,383)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	335,494	171,587	169,720	-	5,813	5,813
	<u>335,494</u>	<u>171,587</u>	<u>169,720</u>	<u>-</u>	<u>5,813</u>	<u>5,813</u>
Total	<u>\$ 7,363,559</u>	<u>543,624</u>	<u>666,365</u>	<u>(6,159,383)</u>	<u>5,813</u>	<u>(6,153,570)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,328,571	-	2,328,571
Capital outlay				68,276	-	68,276
Income surtax				290,905	-	290,905
Statewide sales, services and use tax				489,308	-	489,308
Unrestricted state grants				2,930,649	-	2,930,649
Nonspecific program federal grants				90,569	-	90,569
Unrestricted investment earnings				10,418	49	10,467
Other general revenues				84,550	-	84,550
				<u>6,293,246</u>	<u>49</u>	<u>6,293,295</u>
Total general revenues				<u>6,293,246</u>	<u>49</u>	<u>6,293,295</u>
Change in net assets				133,863	5,862	139,725
Net assets beginning of year				<u>6,759,771</u>	<u>51,156</u>	<u>6,810,927</u>
Net assets end of year				<u>\$ 6,893,634</u>	<u>57,018</u>	<u>6,950,652</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 3,242,325	3,726,886	265,702	7,234,913
Receivables:				
Property tax:				
Delinquent	46,286	1,449	1,655	49,390
Succeeding year	2,172,101	74,826	250,000	2,496,927
Income surtax	265,442	-	-	265,442
Accounts	-	-	-	-
Due from other funds	1,846	-	-	1,846
Due from other governments	173,159	84,542	-	257,701
Prepaid expenses	-	-	77,235	77,235
Total assets	\$ 5,901,159	3,887,703	594,592	10,383,454
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 209,025	574,451	-	783,476
Salaries and benefits payable	615,349	-	-	615,349
Due to other funds	-	-	1,846	1,846
Deferred revenue:				
Succeeding year property tax	2,172,101	74,826	250,000	2,496,927
Income surtax	265,442	-	-	265,442
Other	-	-	-	-
State Stabilization Aid	-	-	-	-
Total liabilities	3,261,917	649,277	251,846	4,163,040
Fund balances:				
Nonspendable	-	-	77,235	77,235
Restricted for:				
Categorical funding	160,952	-	-	160,952
Debt service	-	-	226,490	226,490
Student activities	-	-	39,318	39,318
School infrastructure	-	1,029,302	-	1,029,302
Construction	-	2,088,400	-	2,088,400
Physical plant and equipment	-	120,724	-	120,724
Unassigned				
General	2,478,290	-	-	2,478,290
Management levy	-	-	(191)	(191)
Student activities	-	-	(106)	(106)
Total fund balances	2,639,242	3,238,426	342,746	6,220,414
Total liabilities and fund balances	\$ 5,901,159	3,887,703	594,592	10,383,454

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20) \$ 6,220,414

**Amounts reported for governmental activities in the Statement of Net Assets
 are different because:**

Capital assets used in governmental activities are not financial resources
 and, therefore, are not reported as assets in in the governmental funds. 3,730,985

Accounts receivable income surtax, are not yet available to finance
 expenditures of the current fiscal period. 265,442

Accrued interest payable on long-term liabilities is not due and payable in
 the current year and, therefore, is not reported as a liability in the
 governmental funds. (5,809)

Long-term liabilities, including bonds and loans payable, early retirement
 payable and other postemployment benefits payable, are not due and payable
 in the current period and, therefore, are not reported in the governmental
 funds. (3,317,398)

Net assets of governmental activities(page 18) \$ 6,893,634

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,540,145	557,584	80,358	3,178,087
Tuition	156,720	-	-	156,720
Other	135,073	27,489	182,959	345,521
State sources	3,247,733	-	-	3,247,733
Federal sources	234,894	-	-	234,894
Total revenues	<u>6,314,565</u>	<u>585,073</u>	<u>263,317</u>	<u>7,162,955</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,443,578	423,301	44,181	2,911,060
Special	782,790	-	-	782,790
Other	642,814	-	157,001	799,815
	<u>3,869,182</u>	<u>423,301</u>	<u>201,182</u>	<u>4,493,665</u>
Support services:				
Student	170,424	-	-	170,424
Instructional staff	189,372	-	-	189,372
Administration	593,303	1,000	14,269	608,572
Operation and maintenance of plant	451,094	259,675	26,346	737,115
Transportation	377,668	106,328	23,888	507,884
	<u>1,781,861</u>	<u>367,003</u>	<u>64,503</u>	<u>2,213,367</u>
Non-instructional programs				
Food service operations	-	-	775	775
Capital outlay	-	728,576	-	728,576
Long-term debt:				
Principal	-	-	64,648	64,648
Interest and fiscal charges	-	-	4,850	4,850
	-	-	69,498	69,498
Other expenditures:				
AEA flowthrough	224,939	-	-	224,939
Total expenditures	<u>5,875,982</u>	<u>1,518,880</u>	<u>335,958</u>	<u>7,730,820</u>
Excess(deficiency) of revenues over(under)expenditures	438,583	(933,807)	(72,641)	(567,865)
Other financing sources(uses):				
Operating transfers in	-	-	295,020	295,020
Operating transfers out	-	(295,020)	-	(295,020)
Issuance of revenue bonds	-	3,000,000	-	3,000,000
Proceeds from loan	-	320,000	-	320,000
Net discount on issuance of revenue bonds	-	(31,898)	-	(31,898)
Total other financing sources(uses)	-	<u>2,993,082</u>	<u>295,020</u>	<u>3,288,102</u>
Net change in fund balances	438,583	2,059,275	222,379	2,720,237
Fund balances beginning of year	<u>2,200,659</u>	<u>1,179,151</u>	<u>120,367</u>	<u>3,500,177</u>
Fund balances end of year	<u>\$ 2,639,242</u>	<u>3,238,426</u>	<u>342,746</u>	<u>6,220,414</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 2,720,237

**Amounts reported for governmental activities in the Statement of Activities
 are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expenses in the current year as follows:

Expenditures for capital assets	\$ 888,074	
Depreciation expense	(231,716)	656,358

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (1,027)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(3,320,000)	
Repaid	64,648	(3,255,352)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (5,809)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	38,754	
Other postemployment benefits	(19,298)	19,456

Changes in net assets of governmental activities(page 19) \$ 133,863

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 51,521
Inventories	12,156
Capital assets, net of accumulated depreciation	16,385
Total assets	<u>80,062</u>
Liabilities	
Accounts payable	135
Salaries and benefits payable	19,344
Unearned revenue	3,565
Total liabilities	<u>23,044</u>
Net Assets	
Invested in capital assets	16,385
Unrestricted	40,633
Total net assets	<u>\$ 57,018</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 171,587
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	123,274
Benefits	19,637
Services	3,477
Supplies	185,359
Depreciation	2,779
Other	968
Total operating expenses	335,494
Operating loss	(163,907)
Non-operating revenues:	
State sources	3,254
Federal sources	166,466
Interest on investments	49
Total non-operating revenues	169,769
Change in net assets	5,862
Net assets beginning of year	51,156
Net assets end of year	\$ 57,018

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 171,103
Cash payments to employees for services	(145,759)
Cash payments to suppliers for goods or services	(173,431)
Net cash used in operating activities	(148,087)
Cash flows from non-capital financing activities:	
State grants received	3,254
Federal grants received	146,742
Net cash provided by non-capital financing activities	149,996
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,566)
Cash flows from investing activities:	
Interest on investments	49
Net decrease in cash and cash equivalents	(608)
Cash and cash equivalents at beginning of year	52,129
Cash and cash equivalents at end of year	\$ 51,521
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (163,907)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,724
Depreciation	2,779
Increase in inventories	(3,030)
Decrease in accounts payable	(321)
Decrease in salaries and benefits payable	(2,848)
Decrease in unearned revenue	(484)
Net cash used in operating activities	\$ (148,087)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$19,724 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 233,429
Liabilities	-
Net Assets	
Restricted for scholarships	\$ 233,429

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 2,497
Deductions:	
Instruction:	
Scholarships awarded	-
Change in net assets	2,497
Net assets beginning of year	230,932
Net assets end of year	\$ 233,429

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

The Griswold Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Griswold, Iowa, and the predominate agricultural territory in Montgomery, Adams, Cass, and Pottawattamie Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Griswold Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Griswold Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery, Adams, Cass, and Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due From and Due To Other Funds - To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, equipment and intangibles are reported in the applicable governmental or business type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid expenses.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state of federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instruction and other expenditures functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2011, the District had no investments.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,747	-	-	80,747
Construction in progress	-	584,204	-	584,204
Total capital assets not being depreciated	80,747	584,204	-	664,951
Capital assets being depreciated:				
Buildings	5,211,378	71,527	-	5,282,905
Land improvements	86,443	133,684	-	220,127
Machinery and equipment	1,434,968	98,659	-	1,533,627
Total capital assets being depreciated	6,732,789	303,870	-	7,036,659
Less accumulated depreciation for:				
Buildings	2,567,166	107,865	-	2,675,031
Land improvements	31,730	11,006	-	42,736
Machinery and equipment	1,140,013	112,845	-	1,252,858
Total accumulated depreciation	3,738,909	231,716	-	3,970,625
Total capital assets being depreciated, net	2,993,880	72,154	-	3,066,034
Governmental activities capital assets, net	\$ 3,074,627	656,358	-	3,730,985
Business type activities:				
Machinery and equipment	\$ 99,400	2,566	-	101,966
Less accumulated depreciation	82,802	2,779	-	85,581
Business type activities capital assets, net	\$ 16,598	(213)	-	16,385

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 7,812
Special	663
Other	1,499
Support services:	
Student	3,523
Instructional staff	2,400
Administration	700
Operation and maintenance of plant	13,331
Transportation	82,917
	112,845
Unallocated depreciation	118,871
Total governmental activities depreciation expense	\$ 231,716
Business type activities:	
Food services	\$ 2,779

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ -	3,000,000	-	3,000,000	150,000
Computer loan	-	320,000	64,648	255,352	79,012
Early retirement	51,672	-	38,754	12,918	12,918
Net OPEB liability	29,830	19,298	-	49,128	-
Total	\$ 81,502	3,339,298	103,402	3,317,398	241,930

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated June 1, 2012			
	Interest Rates	Principal	Interest	Total
2013	1.25%	\$ 150,000	75,522	225,522
2014	1.25	155,000	67,838	222,838
2015	1.25	155,000	65,900	220,900
2016	1.25	160,000	63,962	223,962
2017	1.25	160,000	61,963	221,963
2018-2022	1.50-2.40	845,000	270,122	1,115,122
2023-2027	2.75-3.40	950,000	161,875	1,111,875
2028-2029	3.40	425,000	21,760	446,760
		\$ 3,000,000	788,942	3,788,942

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,000,000 of bonds issued June 2012. The bonds were issued for the purpose of financing various construction projects including parking lot and roof projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 46.09% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,788,942. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$489,308.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$225,522 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on

the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Moneys in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any moneys remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Loan

During the year ended June 30, 2012, the District took out a loan with a local bank to provide funds for the purchase of computer equipment associated with the District's 1:1 initiative. Details of the District's indebtedness under the loan agreement at June 30, 2012 are as follows:

Year Ending June 30,	Computer Loan dated August 17, 2011			
	Interest Rates	Principal	Interest	Total
2013	2.00%	\$ 79,012	4,386	83,398
2014	2.00	80,607	2,791	83,398
2015	2.00	82,234	1,164	83,398
2016	2.00	13,499	33	13,532
		<u>\$ 255,352</u>	<u>8,374</u>	<u>263,726</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to years of service multiplied by the amounts from the early retirement schedule found in the District's early retirement policy. These benefits are subject to a maximum of \$18,750 per individual. Early retirement benefits of \$38,754 were paid during the year ended June 30, 2012.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 69,498
Debt Service	Capital Projects: Construction	<u>225,522</u>
Total		<u>\$ 295,020</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest requirements of the District's computer loan.

The transfer from the Capital Projects: Construction Fund to the Debt Service Fund was needed to establish the debt reserve fund required by the revenue bonds covenant.

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Management Levy	\$ 1,846

The Management Levy Fund is repaying the General Fund for moneys borrowed for cash flow purposes.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$268,103, \$235,850, and \$225,567 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 57 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in

accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 24,536
Interest on net OPEB obligation	746
Adjustment to annual required contribution	<u>(1,904)</u>
Annual OPEB cost	23,378
Contributions made	<u>(4,080)</u>
Increase in net OPEB obligation	19,298
Net OPEB obligation beginning of year	<u>29,830</u>
Net OPEB obligation end of year	<u><u>\$ 49,128</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$4,080 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,312	26.89%	\$ 15,582
2011	21,706	34.36	29,830
2012	23,378	17.45	49,128

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$193,072, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$193,072. The covered payroll (annual payroll of active employees covered by the plan) was \$2,995,238, and the ratio of the UAAL to covered payroll was 6.45%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress,

presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees under age 65 are illustrated per month in the following table.

	Single	With Spouse	With Child	Family
Plan A	\$ 375.26	867.21	731.82	1,474.08
Plan B	323.76	748.32	631.33	1,271.59

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Griswold Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$224,939 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Accounts/Fund Balance

The Special Revenue, Management Levy Fund had a deficit unassigned fund balance of \$191 at June 30, 2012. The Special Revenue, Student Activity Fund had one account with a deficit balance of \$106 at June 30, 2012.

(12) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instruction and other expenditures functional areas exceeded the certified budget.

(13) Construction Commitment

The District has entered into contracts totaling \$1,772,559 for a parking lot project and roof project. As of June 30, 2012, costs of \$460,105 had been incurred against the contracts. The balance of \$1,312,454 remaining at year end will be paid as work progresses.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 7,408
Returning Dropouts and Dropout Prevention Programs	30,920
Teacher Salary Supplement	82,011
Professional Development for Model Core Curriculum	34,957
Teacher Development Academies	615
Professional Development	5,041
Total	<u>\$ 160,952</u>

GRISWOLD COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,680,328	171,636	3,851,964	4,221,929	4,221,929	(369,965)
State sources	3,247,733	3,254	3,250,987	3,318,885	3,318,885	(67,898)
Federal sources	234,894	166,466	401,360	123,000	123,000	278,360
Total revenues	<u>7,162,955</u>	<u>341,356</u>	<u>7,504,311</u>	<u>7,663,814</u>	<u>7,663,814</u>	<u>(159,503)</u>
Expenditures/Expenses:						
Instruction	4,493,665	-	4,493,665	3,504,000	3,504,000	(989,665)
Support services	2,213,367	-	2,213,367	3,300,969	3,300,969	1,087,602
Non-instructional programs	775	335,494	336,269	1,410,000	1,410,000	1,073,731
Other expenditures	1,023,013	-	1,023,013	253,078	253,078	(769,935)
Total expenditures/expenses	<u>7,730,820</u>	<u>335,494</u>	<u>8,066,314</u>	<u>8,468,047</u>	<u>8,468,047</u>	<u>401,733</u>
Excess(deficiency) of revenues over(under) expenditures	(567,865)	5,862	(562,003)	(804,233)	(804,233)	242,230
Other financing sources, net	<u>3,288,102</u>	-	<u>3,288,102</u>	-	-	<u>3,288,102</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,720,237	5,862	2,726,099	(804,233)	(804,233)	3,530,332
Balances beginning of year	<u>3,500,177</u>	<u>51,156</u>	<u>3,551,333</u>	<u>2,513,904</u>	<u>2,513,904</u>	<u>1,037,429</u>
Balances end of year	<u>\$ 6,220,414</u>	<u>57,018</u>	<u>6,277,432</u>	<u>1,709,671</u>	<u>1,709,671</u>	<u>4,567,761</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 199,304	199,304	0.0%	\$ 2,695,812	7.4%
2011	July 1, 2009	-	199,381	199,381	0.0	2,899,093	6.9
2012	July 1, 2009	-	193,072	193,072	0.0	2,995,238	6.5

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total Nonmajor
Assets					
Cash and pooled investments	\$ -	39,212	39,212	226,490	265,702
Receivables:					
Property tax:					
Delinquent	1,655	-	1,655	-	1,655
Succeeding year	250,000	-	250,000	-	250,000
Prepaid expenses	77,235	-	77,235	-	77,235
Total assets	\$ 328,890	39,212	368,102	226,490	594,592
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 1,846	-	1,846	-	1,846
Deferred revenue:					
Succeeding year property tax	\$ 250,000	-	250,000	-	250,000
Total liabilities	251,846	-	251,846	-	251,846
Fund balances:					
Nonspendable	77,235	-	77,235	-	77,235
Restricted for:					
Debt service	-	-	-	226,490	226,490
Student activities	-	39,318	39,318	-	39,318
Unassigned	(191)	(106)	(297)	-	(297)
Total fund balances	77,044	39,212	116,256	226,490	342,746
Total liabilities and fund balances	\$ 328,890	39,212	368,102	226,490	594,592

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 80,358	-	80,358	-	80,358
Other	2,520	179,471	181,991	968	182,959
Total revenues	<u>82,878</u>	<u>179,471</u>	<u>262,349</u>	<u>968</u>	<u>263,317</u>
Expenditures:					
Current:					
Instruction:					
Regular	44,181	-	44,181	-	44,181
Other	-	157,001	157,001	-	157,001
Support services:					
Administration	14,269	-	14,269	-	14,269
Operation and maintenance of plant	26,346	-	26,346	-	26,346
Transportation	23,888	-	23,888	-	23,888
Non-instructional programs:					
Food service operations	775	-	775	-	775
Long-term debt:					
Principal	-	-	-	64,648	64,648
Interest and fiscal charges	-	-	-	4,850	4,850
Total expenditures	<u>109,459</u>	<u>157,001</u>	<u>266,460</u>	<u>69,498</u>	<u>335,958</u>
Excess(deficiency) of revenues over(under) expenditures	(26,581)	22,470	(4,111)	(68,530)	(72,641)
Other financing sources:					
Operating transfers in	-	-	-	295,020	295,020
Net change in fund balances	(26,581)	22,470	(4,111)	226,490	222,379
Fund balances beginning of year	103,625	16,742	120,367	-	120,367
Fund balances end of year	<u>\$ 77,044</u>	<u>39,212</u>	<u>116,256</u>	<u>226,490</u>	<u>342,746</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax		Physical Plant and Equipment	
	Regular	Construction	Levy	Total
Assets				
Cash and pooled investments	\$ 1,008,375	2,599,236	119,275	3,726,886
Receivables:				
Property tax:				
Delinquent	-	-	1,449	1,449
Succeeding year	-	-	74,826	74,826
Due from other governments	84,542	-	-	84,542
Total assets	\$ 1,092,917	2,599,236	195,550	3,887,703
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 63,615	510,836	-	574,451
Deferred revenue:				
Succeeding year property tax	-	-	74,826	74,826
Total liabilities	63,615	510,836	74,826	649,277
Fund balances:				
Restricted for:				
School infrastructure	1,029,302	-	-	1,029,302
Construction	-	2,088,400	-	2,088,400
Physical plant and equipment	-	-	120,724	120,724
Total fund balances	1,029,302	2,088,400	120,724	3,238,426
Total liabilities and fund balances	\$ 1,092,917	2,599,236	195,550	3,887,703

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax		Physical Plant and Equipment	
	Regular	Construction	Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 489,308	-	68,276	557,584
Other	27,364	49	76	27,489
Total revenues	516,672	49	68,352	585,073
Expenditures:				
Current:				
Instruction:				
Regular	423,301	-	-	423,301
Support Services:				
Administration	-	1,000	-	1,000
Operation and maintenance of plant	259,675	-	-	259,675
Transportation	81,903	-	24,425	106,328
Capital outlay	73,447	653,229	1,900	728,576
Total expenditures	838,326	654,229	26,325	1,518,880
Excess(deficiency) of revenues over(under) expenditures	(321,654)	(654,180)	42,027	(933,807)
Other financing sources(uses):				
Operating transfers out	(69,498)	(225,522)	-	(295,020)
Issuance of revenue bonds	-	3,000,000	-	3,000,000
Proceeds from loan	320,000	-	-	320,000
Net discount on issuance of revenue bonds	-	(31,898)	-	(31,898)
Total other financing sources(uses)	250,502	2,742,580	-	2,993,082
Net change in fund balances	(71,152)	2,088,400	42,027	2,059,275
Fund balances beginning year	1,100,454	-	78,697	1,179,151
Fund balances end of year	\$ 1,029,302	2,088,400	120,724	3,238,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	564	2,828	2,285	1,107
Vocal Music	2,921	3,419	1,619	4,721
Athletics	(5,410)	93,972	86,579	1,983
Annuals	1,360	10,380	1,032	10,708
Class of 2014	-	6,358	3,249	3,109
Class of 2013	2,967	-	1,538	1,429
Class of 2012	815	-	921	(106)
Class of 2010	94	-	-	94
FFA	2,572	26,488	25,059	4,001
FHA	1,975	11,924	13,031	868
Health Services	1,216	-	-	1,216
HOSA	9	900	-	909
MS Activity	392	598	683	307
General Activity	2,693	1,598	1,682	2,609
N.H.S.	350	580	690	240
Now Interest	289	49	-	338
Spanish Club	167	-	-	167
Student Council	(109)	5,062	4,025	928
Washington Trip	3,404	-	-	3,404
5th Grade	402	1,331	1,620	113
Elementary Fundraiser	66	13,984	12,988	1,062
MS Book Fair	5	-	-	5
Total	\$ 16,742	179,471	157,001	39,212

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,178,087	3,515,193	3,154,939	2,885,622	2,388,717	2,126,459	2,616,166	2,427,686	2,420,097
Tuition	156,720	129,005	132,671	155,295	147,184	190,352	170,893	170,793	191,255
Other	345,521	407,708	372,109	461,046	287,520	324,300	315,734	204,022	222,756
State sources	3,247,733	3,042,061	2,781,860	3,104,919	3,190,512	3,030,523	2,763,327	2,668,263	2,609,392
Federal sources	234,894	256,016	657,493	119,731	146,427	155,058	158,878	171,340	202,512
Total	\$ 7,162,955	7,349,983	7,099,072	6,726,613	6,160,360	5,826,692	6,024,998	5,642,104	5,646,012
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,911,060	2,456,777	2,498,979	2,620,396	2,569,345	2,120,990	2,210,723	1,892,645	2,116,005
Special	782,790	726,834	624,716	647,639	731,015	571,774	544,821	596,605	681,874
Other	799,815	860,883	476,470	684,704	522,357	862,850	588,633	615,473	467,506
Support services:									
Student	170,424	113,897	146,286	184,846	183,364	58,264	37,068	123,521	56,634
Instructional staff	189,372	220,492	212,879	258,058	304,243	355,909	293,098	173,106	164,908
Administration	608,572	552,429	580,712	645,726	625,883	635,085	591,533	519,779	501,286
Operation and maintenance of plant	737,115	674,876	725,868	632,060	803,192	697,887	656,086	558,042	420,855
Transportation	507,884	512,928	379,167	441,440	555,498	390,723	301,266	287,520	256,263
Other support services	-	-	-	-	-	-	-	-	4,875
Non-instructional programs	775	878	1,225	804	541	453	3,705	2,845	5,533
Capital outlay	728,576	36,142	113,295	399,302	24,967	77,691	227,282	15,669	112,141
Long-term debt:									
Principal	64,648	-	-	-	-	-	245,000	295,000	285,000
Interest and other charges	4,850	-	-	-	-	-	9,710	20,035	28,485
Other expenditures:									
AEA flow-through	224,939	254,208	248,265	213,339	206,748	192,460	186,413	185,312	189,400
Total	\$ 7,730,820	6,410,344	6,007,862	6,728,314	6,527,153	5,964,086	5,895,338	5,285,552	5,290,765

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Griswold Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Griswold Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Griswold Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Griswold Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Griswold Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Griswold Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Griswold Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Griswold Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Griswold Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Griswold Community School District and other parties to whom Griswold Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Griswold Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Nolte, Corman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORMAN & JOHNSON, P.C.

March 25, 2013

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Business Manager attended a workshop on internal controls. The District plans to develop compensating controls to make up for the lack of segregation.

Conclusion - Response accepted.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the instruction and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will comply with the requirements.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Diane Keiser, Technology Coordinator Owns Hano's Printing	Printing services	\$660
Bob Amos, Coach Owns Bob's Mowing	Services	\$3,823
Kathy Rush, Bus Driver Spouse owns Rush Electric	Services	\$9,652
Larry Perdue, Bus Driver Daughter owns Sandbothe Firestone	Supplies/Services	\$17,259
Ray Ficek, Coach Michelle Ficek, Para-educator Owns 4th St Graphix	Services	\$725

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with District employees do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the relatives of District employees do not appear to represent a conflict of interest.

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-12 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,100,454
Revenues:		
Sales tax revenue	\$ 489,308	
Other local revenues	27,413	
Sale of long-term debt	3,320,000	
	3,320,000	3,836,721
		4,937,175
Expenditures:		
School infrastructure construction	\$ 533,552	
Equipment	809,441	
Other	181,460	
Transfers to other funds		
Debt service	295,020	
	295,020	1,819,473
Ending Balance		\$ 3,117,702

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Deficit Balances - The Special Revenue, Management Levy Fund had a deficit unassigned fund balance of \$191 at June 30, 2012. One student activity account had a deficit balance of \$106 at June 30, 2012.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District will develop a plan to correct the negative balances.

Conclusion - Response accepted.

II-N-12 Scholarship Awards - We noted scholarships being paid to students from the FFA and FCCLA accounts within the Student Activity Fund. We also noted that the checks written by the District for the award were made payable to the student only.

Recommendation - Scholarships are more appropriately paid from the Private Purpose Trust Fund; therefore, funds intended for scholarships should be receipted into and expended from the Private Purpose Trust Fund. Additionally, scholarship checks should be written to the School the student is attending and the student. A scholarship is tax free if you are a degree candidate and the award is used to pay for tuition and required fees, books, supplies and equipment. Any amounts used to pay for room and board and a stipend for living expenses is taxable. By issuing the check to the college or university the District can ensure that the scholarships are properly reported on the student's 1098T. If the District wishes to not make the checks payable to the school and the student, the District should issue a W-2 for the scholarship amount. The scholarship amount is subject to federal withholding but not Social Security or Medicare withholdings.

Response - The District will create the correct funds, receipt monies accordingly and make check payable to the college on behalf of the student.

Conclusion - Response accepted.

II-O-12 Property Tax Receipting - We noted during our audit that \$1,227.63 of property tax revenue from Pottawattamie County intended for the Capital Projects: Physical Plant and Equipment Fund was incorrectly recorded in the General Fund.

Recommendation - We are requesting a corrective transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Fund in the amount of \$1,277.63.

Response - The transfer will be made.

Conclusion - Response accepted.